

by Owner or hauled off the Property. Laramie will control and remediate any erosion problems that arise due to the construction of the Pipeline. Laramie agrees to re-seed any disturbed area, utilizing a weed free seed mixture, application rate, timing and reseeding method pre-approved by the Owner; if vegetation comparable to the original condition of the disturbed area is not established, such re-seeding shall be continued until such vegetation is established. Final reclamation shall be completed to the reasonable satisfaction of the Owner as soon as practical after installation of the Pipeline (weather permitting).

C. If Laramie desires to construct other pipelines in addition to the Pipeline, such additional pipelines shall only be constructed in routes mutually and reasonably selected in advance by Owner and Laramie based on topography, surface use, reclamation, distance and configurations of the pipeline routes. To the maximum extent possible each additional pipeline shall be located in or adjacent to the Road or shall be located as reasonably close as possible to the boundaries of the Property (such as governmental section lines). Laramie will endeavor to accommodate any reasonable concerns or issues that Owner may have with the placement of and/or operation of any additional pipelines, however, Owner's consent to any additional pipeline route shall not be unreasonably withheld. The routes of any additional pipelines and other special provisions relating to the location, operation and use of the additional pipelines shall be set forth on an addendum or addenda to be attached to this Agreement, and the payment for, construction, operation, reclamation, and use of such additional pipelines and pipeline routes shall be subject to the provisions of the addenda, the provisions of this Article III, and other provisions of this Agreement.

D. Laramie shall be authorized to transport gas and water produced from other land through the Pipeline and through any other pipelines that it constructs on the Property pursuant to this Agreement.

E. Portions of the Pipeline will cross real property owned by third parties. Laramie shall be responsible, at its sole cost and expense, for obtaining all necessary easements, permits or other permissions from such third parties for the portions of the Pipeline that cross the property of the third parties.

#### **Article IV: New Electric Power Lines Construction:**

A. Laramie may install electric power lines on the Property within the right-of-way of the Road or the Pipeline Right-of-Way for the sole purpose of transporting and distributing electricity to Laramie's operations on the Property. The Owner shall have a right to connect to such electric power lines without participation fee or other charge, however, the Owner shall pay for its own connecting equipment and meters as well as for electricity used.

B. Electric power line routes within the Road or Pipeline Right-of-Way shall be mutually and reasonably selected by Owner and Laramie based on topography, distance and configuration of electric power line routes, and existing and anticipated future operations. Laramie shall provide markers showing the location of any buried power lines, and shall provide Owner as-built surveys of the locations of any buried power lines promptly after installation of such lines.

**Article V: Gravel, Stone and Water:**

This Agreement does not grant Laramie the right to use or remove gravel, stone, surface water nor underground water from the Property unless agreed to in writing by Owner.

**Article VI: Surface Consultation:**

Execution of this Agreement hereby specially waives the 30 day notice requirement contained in Rule 305 and satisfies the consultation requirement contained in Rule 306 of the Rules and Regulations of the Colorado Oil and Gas Conservation Commission with respect to any and all wells drilled from the Well Pads.

**Article VII: Payments:**

A. Laramie shall pay Owner as compensation for each Well Pad, the Road and the Pipeline Right-of-Way in those amounts and upon those payment terms as mutually agreed upon by the parties and memorialized in a separate Letter Agreement of even date herewith. If additional pipelines or pipeline routes are agreed to by the parties pursuant to Article III, above, compensation for those additional pipelines or routes shall be in the amounts and upon payment terms mutually agreed upon by the parties at the time such pipelines or routes are agreed upon. The payments described in this Article VII.A. shall constitute payment in full by Laramie and its affiliates for all normal damages, including, but not limited to, damages to growing crops, associated with the drilling, construction, completion, recompletion, reworking, re-entry, production, operation and maintenance of the wells on the Well Pads. Normal damages include, but are not limited to, reasonable and customary ingress, egress, rights-of-way, construction of the Road, preparation and use of the Well Pads, preparation and use of reserve pits, and construction, installation and maintenance of production equipment and facilities such as flowlines, gas pipelines, separators, tank batteries and other equipment or facilities necessary or convenient for the production, transportation and sale of oil and/or gas therefrom, to the extent such construction and use complies with the terms of this Agreement.

B. As additional consideration to Owner for this Agreement, Laramie hereby grants and assigns to Owner an overriding royalty interest (ORRI) of one half of one percent (0.5%) on all oil, gas and casinghead gas sold from any wells that are drilled from the Well Pads, free and clear of all costs associated with compression, dehydrating, gathering, treating and transporting to market said oil, gas and casinghead gas, subject only to non-affiliated third party transportation charges. The ORRI will remain in effect for as long as oil, gas and casinghead gas is produced and sold from any of the well(s).

**Article VIII: Irrigation:**

Laramie agrees that its operations will not interfere with the flow of water through any irrigation ditches presently located on Owner's property. Any interference to the flow of water or damage to any ditches caused by Laramie's operations will be promptly repaired by Laramie.



**Article IX: Interim Reclamation:**

A. All areas of the Property that are disturbed by Laramie's operations on the Property and that are no longer necessary for drilling operations, except for the exempted areas described in Article IX.C., below, shall be restored as near to their original condition as feasible by Laramie in the following manner:

1. the disturbed area shall be ripped and recontoured to conform with existing grade and no recontoured slope shall exceed a grade of five linear feet to one foot in elevation;
2. weed free topsoil shall be replaced on the disturbed area to a quality and depth which meet its original condition, as near as practicable;
3. the disturbed area shall be revegetated utilizing a weed free seed mixture, application rate, timing and reseeding method pre-approved by the Owner; if vegetation comparable to the original condition of the site is not established, such reseeding shall be continued until such vegetation is established;
4. foreign substances and unnecessary equipment shall be removed from each disturbed area;
5. erosion resulting from Laramie's operations shall be adequately controlled and remediated; and
6. noxious weeds shall be fully and adequately controlled on such disturbed areas together with any adjacent areas on the Property to which such weeds have spread from disturbed areas. No foreign (from off the Property) soil or seed shall be used on the Property unless such soil or seed is certified as "weed free" by Laramie.

B. Such interim reclamation shall be commenced by Laramie within one (1) year (weather permitting) of the rig release from the Wellpad if another well is not commenced during such period or as agreed to by Owner and Laramie.

C. The following areas shall be exempted from the interim reclamation requirements (except for weed control) of this Article IX: i) the driving surface and bar ditches of the Road, and ii) the production area (not to exceed approximately 250 feet by 450 feet) at each Well Pad. In addition, reclamation of the Pipeline Right-of-Way and other pipeline routes shall be governed by the provisions of Article III and not this Article IX.

D. Nothing in this Article IX shall be interpreted to allow any areas of the Property to be disturbed by Laramie's operations other than as specifically authorized in this Agreement.

**Article X: Final Reclamation:**

A. Except as consented to in writing by Owner, each well shall be plugged and abandoned by

Laramie in accordance with the applicable law upon permanent cessation of production. Weather permitting, within thirty (30) days following the plugging and abandonment of each well, all surface equipment and surface appurtenances shall be removed by Laramie from the Property and all unreclaimed and/or unrevegetated areas previously disturbed by Laramie's operations shall be reclaimed by Laramie in accordance with the standards set out in the Interim Reclamation Article above.

B. At least 30 days prior to reclamation of the Road or any portion thereof, Laramie shall provide Owner written notice of such roadway reclamation, which shall include a plat of the portion of the Road to be reclaimed. During the period prior to reclamation, Owner may elect to retain any such portion of the Road for its use by giving written notice to Laramie. Upon receipt of Owner's election to retain such portion of the Road, Laramie shall blade the Road into good and passable condition, and shall thereafter be relieved of its obligation to maintain and/or reclaim such portion of the Road.

C. The easement for the Road, quitclaimed in Article II, above, the easement for the Pipeline Right-of-Way, quitclaimed in Article III, above, and any other easements conveyed or quitclaimed to Laramie pursuant to this Agreement shall terminate when all wells drilled by Laramie on the Property have been plugged and abandoned. Upon request of the Owner, Laramie shall execute a quitclaim deed or other appropriate document evidencing the termination of its easements across the Property.

#### **Article XI: Use And Enjoyment:**

Laramie's surface use pursuant to this Agreement shall be non-exclusive. Owner shall have to right to use the surface of the Property in any manner which does not unreasonably interfere with Laramie's operations, including without limitation, construction, installation and use of roads, utilities, ditches, wells, irrigation and water impoundment structures, trails, fences and buildings. Further, Owner retains the exclusive right to grant rights-of-way, easements, and rights to surface use to parties other than the Laramie; Owner retains the exclusive right to grant hunting and fishing rights, and Owner agrees not to construct new water impoundments or structures which would interfere with Laramie's actual surface use.

#### **Article XII: Gates and Fences:**

A. Laramie shall promptly restore all fences which may have been damaged by Laramie's operations on the Property to as good a condition as such fences were prior to such operation. When any fence upon the Property is required to be opened, such opening shall not be left unattended without a good and sufficient gate or fence capable of turning domestic livestock. All permanent openings in fences shall be reinforced by installing "H" braces six feet (6') in width, which are constructed of wooden posts at least six inches (6") in diameter on both sides of such opening prior to cutting the fence, which shall be attached to the "H" braces.

B. Laramie agrees to install a gate at the point where the Road exits the north boundary of the Property. This gate shall be kept locked at all times except when being used for passage of equipment, vehicles, personnel or when a gate guard is posted. Owner may utilize a separate



lock for its lock on this gate. However, neither party shall lock the other out of the Property.

C. Laramie agrees to install a cattle guard, a gate or a cattle guard and gate, at the option of the Owner, at each other point where fences cross the Road, and to construct fences adequate to prevent driving around such gates. Unless otherwise agreed between Owner and Laramie, such gates do not need to be locked. If they are locked, Owner may utilize separate locks for its locks on such gates, and neither party shall lock the other out.

D. Laramie agrees that such gates, cattle guards, "H" braces, and fences shall be maintained by Laramie in good and operable condition.

**Article XIII: Prohibited Non Oil and Gas Activities:**

Laramie's activities on the Property shall be limited to only those activities necessary to conduct its oil and gas operations on the Property under its oil and gas leases. Without limiting the generality of this limitation, Laramie shall not permit its agents, employees, contractors, subcontractors, or service company personnel to possess or use drugs or alcohol or carry firearms, archery equipment, wildlife calls, weapons, spotting, optical or night vision equipment (other than as required for oil and gas operations), or to bring dogs or other animals on the Property. Nor shall Laramie permit such persons to bring friends or family onto the Property nor to picnic, barbecue, transport firewood, cut Christmas trees, hunt or injure wildlife, nor remove pine nuts, artifacts or other non-oil and gas materials from the Property.

**Article XIV: Monitoring of Laramie Operations:**

Laramie will provide Owner a twenty-four hour/seven day a week emergency contact number. Further, Laramie agrees not to permit nor authorize entry onto the Property by any person who is not required to conduct its oil and gas operations on the Property.

**Article XV: Livestock:**

Laramie agrees to pay the fair market value for all domestic livestock killed or injured by its operations on the Property. In the event Laramie requires an animal autopsy or other scientific evidence prior to reimbursing the Owner for livestock loss, Laramie will secure and pay for such investigation and obtain any required analysis, which shall be provided to the Owner.

**Article XVI: Personal Property:**

Any real or personal property damages incurred by Owner as a result of Laramie's operation on the Property, other than the payments specified herein, and excepting any such damages which are attributable to Owner's actions, shall be remedied or compensated for within sixty (60) days after receipt of written notice from Owner specifying the damage.

### **Article XVII: Hunting Rights:**

Laramie understands and acknowledges that Owner leases out hunting rights on the Property to Tom Cox (outfitter) each year during the hunting seasons. In the event that Tom Cox does not lease the hunting rights for any year in which Laramie has drilling and completion operations on the Property, Laramie will compensate Owner in the amount of Seven Thousand Dollars (\$7,000.00) for each year that the hunting rights are not leased.

### **Article XVIII: Indemnification and Insurance:**

A. Without limiting Owner's rights or Laramie's obligations herein, Laramie agrees to reimburse and indemnify Owner, defend Owner, and hold Owner harmless from, for and against any and all injuries, claims, causes of action, demands, losses, costs, expenses, damages and deficiencies, including without limitation, interest, penalties and attorneys' fees, that Owner may incur or suffer, which arise or result from or relate to (a) the activities or operations of Laramie or Laramie's agents, contractors or subcontractors on the Property under this Agreement or under Laramie's oil and gas leases or (b) any breach by Laramie of any of the agreements, terms, conditions or covenants set forth in this Agreement.

B. Until final reclamation of the Property is completed pursuant to Article X, Laramie shall keep the following insurance policies in full force and effect:

1. A comprehensive general liability insurance policy, with limits of liability of at least \$1,000,000 per occurrence for bodily injury, including death, personal injury and property damage.

2. An automobile liability insurance policy, with limits of liability of at least 1,000,000 per occurrence for bodily injury, including death, personal injury and property damage.

3. Worker's compensation insurance as required by the State of Colorado for any employee engaged in the performance of any work or operations on the Property and employer's liability insurance with minimum limits of \$1,000,000 for each accident or disease.

4. The policies described in Articles XVIII.B.1. and 2., above, shall be endorsed to include Owner and its officers, directors, agents and employees as additional insureds and shall provide that Owner will receive at least thirty days prior written notice of any cancellation or material change in such policies. Such policies shall also include a waiver of subrogation against Owner and its officers, directors, agents and employees. Upon the execution of this Surface Agreement by Laramie and periodically thereafter at the request of Owner, Laramie shall furnish Owner a certificate of insurance confirming that the insurance coverage's as specified herein are in full force and effect.

**Article XIX: Applicable Law:**

This Agreement and the rights of the parties under it shall be governed by and interpreted in accordance with the laws of the State of Colorado. Venue for any action under this Agreement shall be in the District Court of Mesa County, Colorado. The successful party in any action arising out of this Agreement or its subject matter shall be entitled to recover all expenses incurred in connection with the enforcement of its rights under this Agreement, including but not limited to legal expenses, costs and reasonable attorney=s fees.

**Article XX: Integration and Binding Effect:**

The matters set forth herein comprise the complete agreement between the parties. All verbal discussions and prior writings between the parties related to the negotiation of this Agreement shall be merged herein. The agreements, terms, conditions and covenants hereof shall extend to and be binding upon the successors and assigns of the parties hereto. The persons signing this Agreement represent and warrant that they have the authority to execute this Agreement and bind the parties thereto.

**Article XXI: Effective Date:**

The effective date of this Agreement is November 21, 2006. Laramie shall not enter on to the Property nor conduct any operations on the Property until November 21, 2006.

**IN WITNESS WHEREAS,** the parties have executed this Agreement effective as of the date set forth in Article XXI.

**OWNER:**

**Ute Water Conservancy District**

By: 

Larry W. Clever, General Manager

**LARAMIE:**

**Laramie Energy, LLC**

By: 

Kenneth G. Leis, Attorney-in-Fact



STATE OF COLORADO       )  
                                      )  
COUNTY OF MESA        )

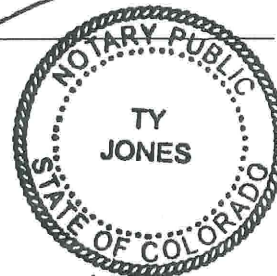
The foregoing instrument was acknowledged before me on this 20<sup>th</sup> day of November,  
2006 by Larry W. Clever, General Manager for Ute Water Conservancy District on behalf of  
said district.

WITNESS my hand and seal.

My Commission Expires:

6/17/10

  
\_\_\_\_\_  
Notary Public



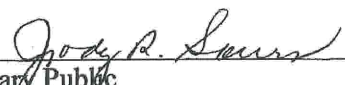
STATE OF COLORADO       )  
                                      )  
COUNTY OF MESA        )

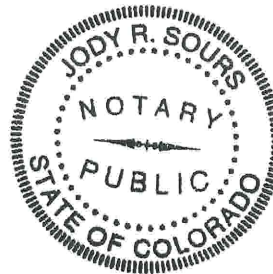
The foregoing instrument was acknowledged before me on this 20<sup>th</sup> day of November,  
2006 by Kenneth G. Leis, Attorney-in-Fact for Laramie Energy LLC, a Delaware limited  
liability company on behalf of said company.

WITNESS my hand and seal.

My Commission Expires:

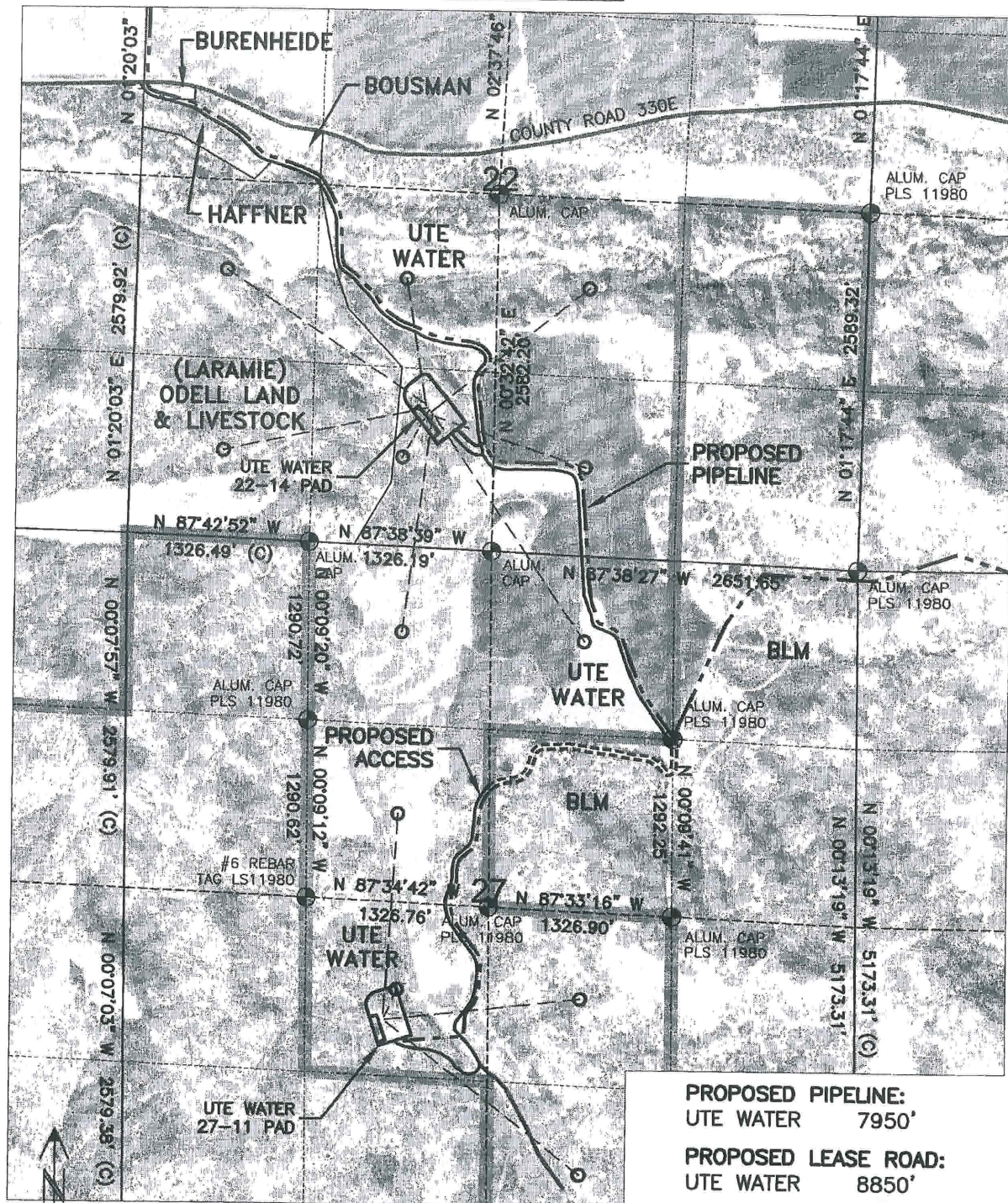
6/15/2010

  
\_\_\_\_\_  
Notary Public





## EXHIBIT "A"



REORDER NOTE: POOR QUALITY DOCUMENT  
PROVIDED FOR REPRODUCTION



GRID

0 1000 2000  
Graphic Scale in Feet  
1 inch = 1000 feet

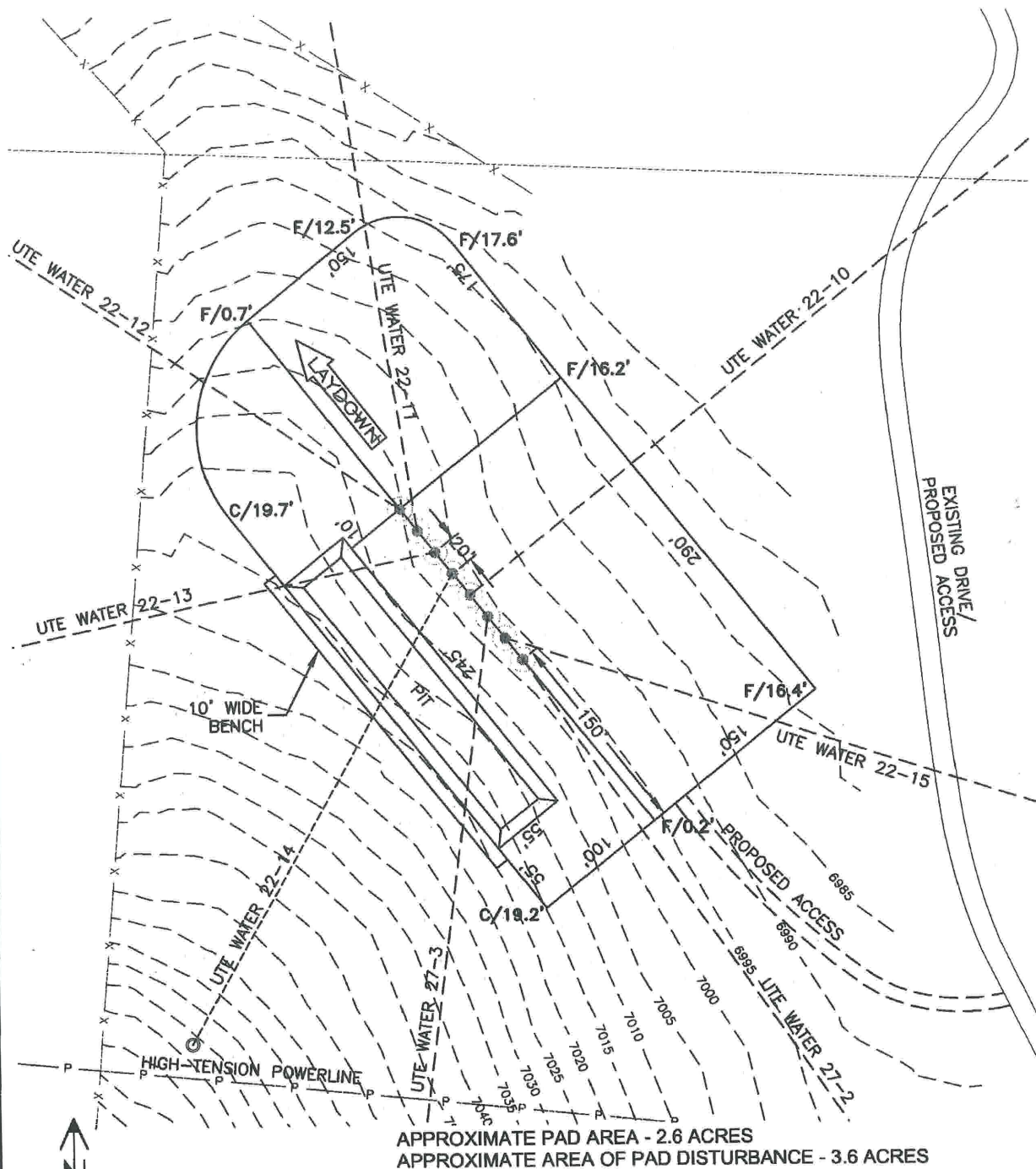


LAND SURVEYING AND MAPPING  
LAFAYETTE - WINTER PARK  
Ph 303 666 0379 Fx 303 665 6320

**WELL LOCATION MAP**  
PREPARED FOR  
**LARAMIE ENERGY LLC**  
**UTE WATER SECTION 22&27 PAD**  
**SECTION 22&27 T9S R94W 6th PM**  
**MESA COUNTY COLORADO**



**EXHIBIT "A1"**



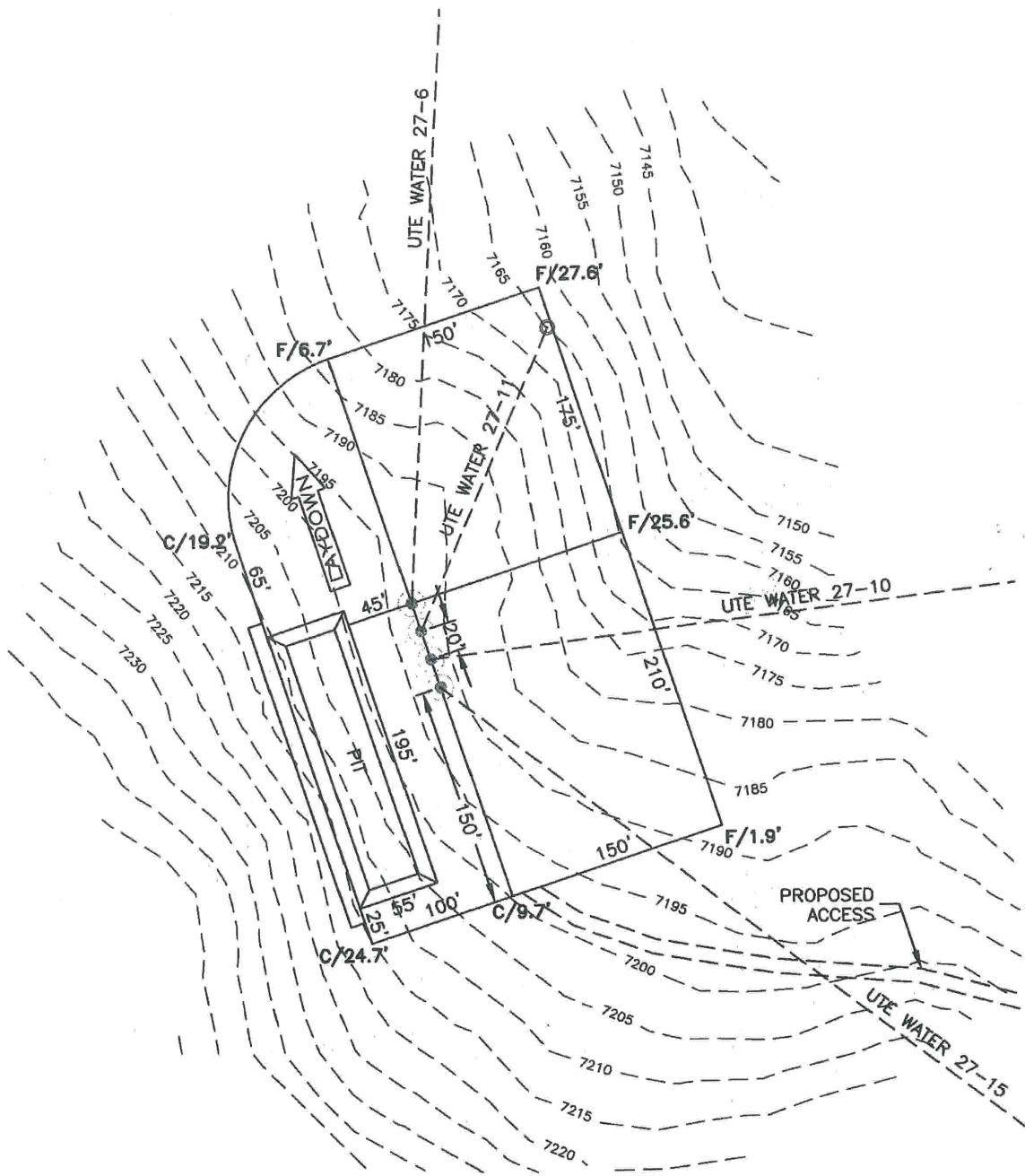
0 100 200  
Graphic Scale in Feet  
1 inch = 100 feet



LAND SURVEYING AND MAPPING  
LAFAYETTE - WINTER PARK  
Ph 303 666 0379 Fx 303 665 6320

**PAD LAYOUT**  
PREPARED FOR  
**LARAMIE ENERGY LLC**  
**UTE WATER 22-14 PAD**  
SECTION 22 T9S R94W 6th PM  
MESA COUNTY COLORADO

**EXHIBIT "A1"**



APPROXIMATE PAD AREA - 2.2 ACRES  
APPROXIMATE AREA OF PAD DISTURBANCE - 3.3 ACRES



Graphic Scale in Feet  
1 inch = 100 feet



LAND SURVEYING AND MAPPING  
LAFAYETTE - WINTER PARK  
Ph 303 666 0379 Fx 303 665 6320

**PAD LAYOUT**  
PREPARED FOR  
**LARAMIE ENERGY LLC**  
**UTE WATER 27-11 PAD**  
**SECTION 27 T9S R94W 6th PM**  
**MESA COUNTY COLORADO**